

Product-on-a-Card: Add Power to Your Gift Card Portfolio

These programs increase guest visits and expand your share of wallet. Paytronix patent-pending technology delivers creative solutions that enable you to capture the resulting financial rewards.

Loyalty Improvement Series

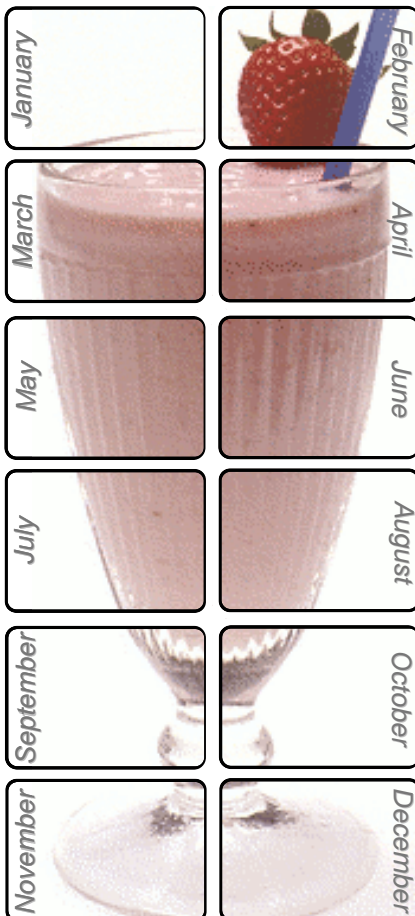
PAYTRONIX
systems, inc.

Excite Your Guests ... And Your Bottom Line

Product-on-a-card is a special type of gift card that allows you to place a number of menu items on a card, rather than dollars. For example, you might issue a card with a dozen milkshakes to be redeemed one per month for 12 months.

When your guests become immune to sales pitches for standard gift cards, stir up new interest by inviting them to purchase a “milkshake-for-a-year” card. The novelty of the request offers a chance to engage with guests and get them excited about your popular menu items.

Special product-on-a-card programs offer your guests a unique and compelling gift idea. Giving a friend a year of milkshakes is a fun and appealing alternative to a standard gift card. Similarly, a card offering “dinner-for-two” makes a thoughtful, memorable birthday or anniversary present.



Product-on-a-card programs also provide alluring benefits to you. They boost overall gift card revenues. Our clients have realized a jump in gift card sales of as much as 20% after introducing product-on-a-card programs. Plus, by raising your guests' visit frequency, you also garner a higher share of their spending.

Product-on-a-Card offers are sold at a discount based on the expected redemption rate. Yet, despite the discounted price, these programs provide a superior financial return. Unlike traditional gift cards, you can target product-on-a-card programs for your higher margin, “signature” menu items to expand your guests' buying behaviors, and to create opportunities to increase their spending at your restaurants.

Entice New Guests and Reward Loyal Customers

Product-on-a-card programs stimulate regular guest visits and generate handsome financial returns. Successful programs include:

ONCE-A-MONTH GIFT PROGRAMS Motivate new guests to make regular visits with a card redeemable for an ‘appetizer’ each month for 12 months.

CONTESTS Winning ‘soup-for-a-year’ is a fun, exciting way to promote your restaurants and to drive frequent guest visits. These also make great donations for charitable events or outreach campaigns.

BAKER’S DOZEN Encourage your guests to pre-pay for their regular purchases at a discount (Pre-buy 25 coffees for the price of 20). This solidifies their loyalty and rewards them for regular patronage.

DINNER-FOR-TWO Create a truly memorable gift idea for your guests to give their friends.

KIDS CLUB An innovative way to engage kids and to leverage their influence in making the family restaurant selection decisions.

A Strong Value Proposition: Increased Loyalty and a Compelling Financial Payoff

Entice Your Guests to Return More Frequently and to Spend More

A product-on-a-card program gives your guests a great way to buy and to share the items they enjoy at your restaurants. For example, if they love your fresh baked bread, they can buy a card to receive 12 loaves for the price of ten. The card solidifies their loyalty to you and keeps them coming back when they want great bread.



Plus, putting your products on a card also gives your guests an easy way to share their enthusiasm for your signature menu items. Your guests will appreciate a convenient way to give their friends a gift of your delicious breads. Product-on-a-card programs also make great donations for charitable events because they showcase your brand.

An effectively loyalty tool, product-on-a-card programs keep your guests coming back each month (or each week) to redeem the designated item. And once in your restaurant, our research shows that they will purchase other items as well. They may come for a loaf of fresh bread for dinner, and purchase a sandwich to-go. The program gives your guests a reason to visit regularly and provides you an opportunity to earn a greater share of wallet.

Generate Solid Financial Returns

Product-on-a-card programs not only increase guest loyalty and spending, they can improve your financial success by influencing your guests' behavior. For example, you may see an opportunity to increase your lunch sales by encouraging specialty sandwich orders. Why not initiate a product-on-a-card program as an effective way to leverage your sandwiches and earn a tempting financial return.

Design the program for optimal impact: Create an offer that will influence your guests' purchasing behavior and generate sound financial results. If the average price of a specialty sandwich is \$5, a dozen would normally cost \$60 (12 * \$5). You decide to sell the pre-pay card for \$48 – good for a specialty sandwich each month – a compelling discount for a guest who will receive two free sandwiches. However, because sandwiches typically carry a 50% margin on the cost of goods, you still earn a strong 40% gross margin on the card transaction – *even if a guest redeems all twelve sandwiches.*

Importantly, empirical analysis shows that most guests will *not* redeem all twelve sandwiches. The average guest will normally claim six-to-eight items out of twelve. Programs aimed at loyal customers will approach the top end of this range while programs targeting occasional guests or new visitors will fall toward the lower end.

It follows that successful product-on-a-card programs generate financial benefits on multiple levels. First, issuing the card provides a self-sustaining level of revenue. At normal redemption rates, the margin earned by selling the card at a discount (as in the example) will actually exceed the margins attainable in an unaided purchase!

In addition, generating incremental guest visits and expanding spending triggers a multiplier effect. When your sandwich offer encourages a guest to visit you eight times instead of four during a period, you earn additional revenue and margin from these extra transactions. And while you have discounted a sandwich, you reap the benefits from selling complimentary items (soda, chips, etc) and additional meals when your guest brings friends or family members.

Offering a discount can
actually generate
multiple layers of
financial benefits.



The Dynamics of Product-on-a-Card Programs

How do I make money if I am giving a discount?

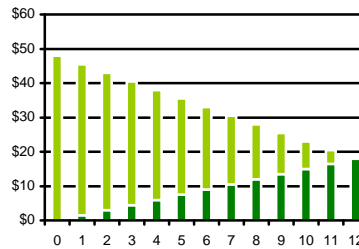
Five Ways to Boost Your Bottom Line

1. Raise Gift Card Sales

Product-on-a-card programs are exciting and differentiate your restaurants from competing venues. The compelling offers inspire new interest among your guests and may boost your overall gift card portfolio revenues by as much as 20%.

2. Earn a Positive Return at Any Redemption Rate

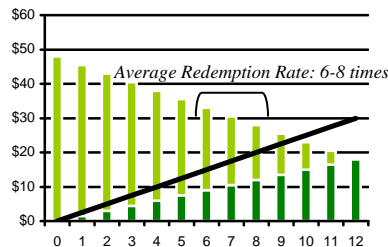
Selling a card featuring higher-margin, signature items generates a considerable return, despite the discount. In our specialty sandwich example, even if a guest redeems all 12 sandwiches, you still earn a 40% gross margin. Plus, because the card is pre-paid, you get the advantage of receiving cash up-front[†].



Product-on-a-Card programs generate positive returns whether guests redeem one item or all twelve.

3. Exceed Non-Discounted Returns at Average Redemption Rates

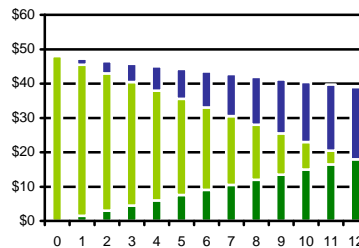
Most guests will *not* redeem all twelve sandwiches. The average card holder will redeem between six and eight times, giving you a return higher than attainable if the sandwiches were sold at full price.



Average redemption rates generate returns higher than selling the same number of sandwiches *without* a discount.

4. Increase Guest Spending per Visit

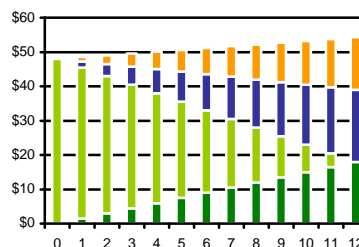
By targeting your signature menu items, you can create situations for your guests to also buy complimentary items. For example, redeeming a sandwich encourages the purchase of a drink and perhaps a cookie. Expanding the order size generates additional margin. (This benefit gets compounded when your guest brings a friend with them.)



Your return grows when guests buy complimentary items to go with their sandwiches.

5. Encourage Incremental Guest Visits

Traditional gift cards usually generate just one guest visit. Once-a-Month programs motivate your guests to visit your restaurants multiple times. Their spending has a cumulative affect on your margins.



Motivating additional guest visits will further boost your bottom line.

Discounting sandwiches generates a multiplier effect that builds a multi-level return.

Calculation Assumptions:

Sandwich retail price: \$5.00

'Complimentary item' retail price: \$3.50

Incremental gross margin: 50%

Twelve visit Product-on-a-Card sold for \$48.00, a 20% discount.

Incremental guest visit rate: 30%.

Assumed that three in ten visits would be incremental to normal guest visit frequency.

Legend:

- Extra Visit Gross Margin
- Increased Spending Gross Margin
- No Discount Gross Margin (line)
- Unused Pre-Payment
- Incremental Gross Margin

[†] Depending on the State(s) in which you do business, any unused prepayment may be subject to escheatment.

Unique to the sophistication provided by Paytronix, we are able to build habits in our customer through our club cards. Customers purchase a card that entitles them to one shake or cone every month for a whole year. We offer a substantial discount on the products, but in return we get them building habits of coming into our stores.

*Joe Oberweis
CEO of Oberweis Dairy*

Paytronix Delivers on the Promise of Product-on-a-Card

Paytronix's patent pending technology makes your product-on-a-card programs successful. No other provider has the capability to deliver solutions as feature-rich and innovative as Paytronix.

We help you realize the potential of product-on-card programs with technology that can identify feature items, automatically reflect the discount on the guests' check, and accurately manage the accounting of the transactions for your financial reporting. The Paytronix solution manages all the rules for redemption, expiration, and rollover. You create the programs that will excite your guests, we handle the technical execution.

Selling products-on-a-card puts a powerful tool into your gift card portfolio. The novelty creates new energy among your guests that lifts overall gift card sales. Plus, the basis for redemption magnifies your financial return. Product-on-a-card programs give you more control of the purchase process: you dictate which products to sell at a discount and you can create financially beneficial sales situations (e.g. most guests will purchase a drink to compliment their sandwich). Standard gift cards make no such provisions and can be freely redeemed for high- or low-margin menu items.

Product-on-a-card programs can be a potent way to invigorate your sales and earn strong financial returns. Our clients have strengthened guest loyalty and have realized the associated financial payback. You can, too.

To learn more about how product-on-a-card programs can help your business, contact us.



Family-oriented restaurants should consider a Kids' Club program.

- Children influence the buying decisions of the entire family and a Kids' Club is a way for restaurants to build affinity with this important demographic.
- Kids' want to have a card, just like a grown-up. Once they feel empowered, they will drive the family in to your restaurant again and again.
- Kids' Clubs can be heavily discounted since they bring in the whole family including full-price adult patrons.

PAYTRONIX
systems, inc.

307 Waverley Oaks Road, Suite 309, Waltham, MA 02452
Phone: (617) 649-3300 Fax: (617) 812-0725
eMail: Solutions@paytronix.com

The Loyalty Improvement Series

Loyalty Promotions Comp Cards Product On a Card Reward Yourself